



IDAHO LEGISLATURE BUDGET WATCH

September 2003

Legislative Services Office, Budget & Policy Analysis

The Big Picture: In the Black

Since the Legislature adjourned *sine die*, much has changed in the overall state budget picture. May and June revenues exceeded expectations, contributing to an FY 2003 carryover of \$15.7 million (line 1 below). However, in August DFM lowered the revenue projection for FY 2004 by about \$35.0 million (line 2) which now reflects a baseline increase of 3.2% over FY 2003 actual collections.

The lowered revenue projection does not present immediate concerns for the state budget because we started the year with a larger beginning balance, we have exceeded the revised lowered revenue projection for July and August by \$14.0 million (line 5), and we are receiving \$50.0 million in one-time federal grant funds.

On the spending side, there are significant changes as well. A large supplemental for fire suppression is expected this year (line 11), and the Department of Health & Welfare is projecting increases in caseload and utilization for Medicaid that could approach \$15.0 million. This latter cost will be more than offset, however, by the one-time Medicaid match reduction of \$30.4 million included in the federal relief package (line 13). Overall, at this early point in the year, we are estimating a \$56.7 million year-end balance.

The Outlook: Positive for the Short-term

Recognizing that the revised revenue projections are cautious, as they should be, it is still encouraging that August marks the fourth month in a row that revenues have exceeded forecasts. While early in the fiscal year, the budget situation at this point is positive and manageable. We do not expect any other significant supplemental spending issues to emerge other than fire suppression and Medicaid. The only other spending wildcard in the past has been Corrections, and thus far the inmate population is trending according to legislative analyst's predictions, and is fully covered in the appropriation bill.

While the current year scenario projects a surplus (due to the one-time federal relief package), the state budget still has a ways to go in order to be considered structurally balanced. We have the benefit of one-time federal relief this year, but not next year. We also have virtually no cash reserves, having utilized all available Budget Stabilization Funds, Permanent Building Funds and Millennium Funds. In addition, \$180 million in sales tax revenue is slated to sunset at the end of FY 2005.

We will continue to keep Legislators informed on fiscal issues each month with this report, and in future reports examine the FY 2005 and 2006 budgets a little more closely and prepare legislators for the challenges ahead.

Fiscal Year 2004

REVENUES		Sine Die Estimate	Current Estimate
1.	Beginning Balance	\$ 6,274,200	\$ 15,745,000
FY 2004 Revenue Estimate			
2.	Baseline revenue estimate*	1,828,700,000	1,793,534,900
3.	Statutory changes (sales tax & others)	183,776,500	184,640,000
4.	Plus federal flexible grant funds	0	50,000,000
5.	July & August revenues; over/under to date	0	14,000,000
6.	Total General Fund Revenues	\$ 2,018,750,700	\$ 2,057,919,900
7.	Transfer to Democracy Fund	0	(167,000)
8.	Total Revenues Available	\$2,018,750,700	\$2,057,752,900
EXPENDITURES			
9.	Original FY 2004 Appropriations	\$ 2,004,053,000	\$ 2,004,053,000
10.	Reappropriations	0	2,061,300
11.	Supplemental for fire suppression	0	10,285,000
12.	Medicaid caseload & utilization increase	0	14,986,300
13.	One-time federal Medicaid match reduction	0	(30,391,100)
14.	Total Estimated Expenditures	\$ 2,004,053,000	\$ 2,000,994,500
15.	Estimated Ending Balance	\$ 14,697,700	\$ 56,758,400
*Original estimate based on a 4.1% increase before tax law changes; revised estimate based on a 3.2% increase over FY 2003 actual collections, before tax law changes.			

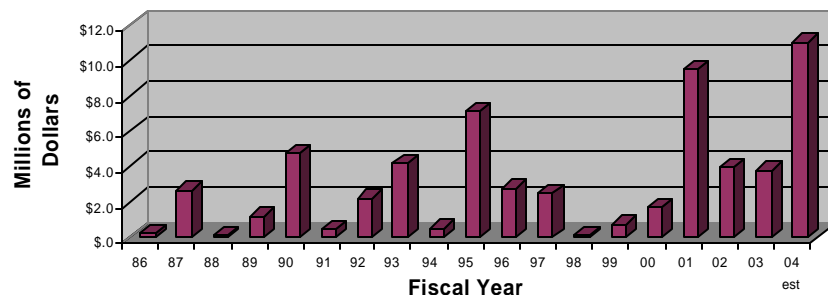
Monthly Revenue Update

	Total FY 2004 Forecast*	Percent Change from FY 2003	August Actual Collections	August Compared to Forecast	Year-to-Date Actual Collections	Year-to-Date Compared to Forecast
Individual Income Tax	\$882.8	5.4%	\$70.4	\$6.0	\$135.7	\$7.9
Corporate Income Tax	\$96.7	3.8%	\$3.3	\$1.0	\$7.3	\$0.6
Sales Tax	\$865.6	23.6%	\$77.1	\$3.1	\$156.4	\$5.5
Product Taxes	\$45.6	109.6%	\$4.0	\$0.0	\$7.8	(\$0.2)
Miscellaneous Revenue	\$137.5	40.9%	\$27.0	(\$0.1)	\$9.8	\$0.2
TOTAL	\$2,028.2	15.9%	\$181.8	\$10.0	\$317.0	\$14.0

*The total forecast of \$2,028.2 million represents DFM's August revised forecast, minus the \$13.4 million distribution to local governments for the repeal of personal property taxes on agricultural equipment, which represents cash that never actually reaches the General Fund.

August revenues exceeded the monthly forecast, with overall General Fund collections coming in \$10 million above projections. Most of this performance can be attributed to the Individual Income Tax, which came in \$6 million above the forecast for August, and the Sales Tax, which finished \$3.1 million ahead. All three of the remaining revenues sources were within \$1 million of the forecasted amount for the month. It should be noted that \$25 million in flexible federal one-time aid was deposited in the General Fund in August, under Miscellaneous Revenue. A further \$25 million is expected in December. Total fiscal year collections to date are now \$14 million ahead of projections, \$4 million in July and \$10 million in August.

History of Fire Suppression Costs
General Fund Supplementals



The state is responsible for the protection of about 6.25 million acres of timber and range lands of mixed ownership. In addition to a \$6 million base budget for fire preparedness, the Department of Lands estimates fiscal year 2004 General Fund fire suppression costs at \$11 million plus \$1 million in reimbursable costs. Although cyclical, fire costs are trending upward.

Legislative Services Office
Budget & Policy Analysis
State Capitol, Rm 334
Boise, ID 83720-0054

(208) 334-3531
(208) 334-2668 FAX
www.jfac.state.id.us